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BYBLOS BANK SAL
Economic Research & Analysis Department

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Global debt equivalent to 331% of GDP at end-2023

The Institute of International Finance indicated that the global debt level, which includes the debt of governments, corporates and households, reached $313 trillion (tn) at the end of 2023, constituting an increase of 15.2tn, or of 5.1%, from $297.7tn at the end of 2022. The debt of advanced economies accounted for 66.6%, while the debt of emerging markets (EM) represented 33.4% of the total. It noted that the debt level reached 331.2% of global GDP at the end of 2023 compared 333.3% of global GDP at end-2022. It calculated the debt-to-GDP figures based on a weighted average GDP. It added that the debt of advanced economies reached $208.3tn or 376.5% of GDP, while the debt level of EMs totaled $104.6tn or 255.3% of GDP at end-2023. It pointed out that the aggregate debt of corporates excluding financial institutions reached $94.4tn, or 95.6% of global GDP, at the end of 2023, followed by government debt with $89.9tn (96.7% of GDP), financial sector indebtedness with $69.4tn (77.4% of GDP), and household debt with $59.3tn (61.5% of GDP). In parallel, it indicated that EM corporate debt ex financial institutions stood at $43.6tn or 105.3% of GDP, followed by EM government borrowing at $28.2tn (69% of GDP), EM household debt at $19.1tn (46.8% of GDP), and financial sector indebtedness at $13.8tn (34.3% of GDP). Also, it noted that the borrowing of governments in advanced economies amounted to $61.7tn or 113.3% of GDP, followed by financial sector indebtedness at $55.6tn (103.2% of GDP), corporate debt ex financial institutions at $50.7tn (89.8% of GDP) and household debt at $40.2tn (70.3% of GDP).

Source: Institute of International Finance

QATAR

VC funding down 57% to $11.8m in 2023

Figures released by online platform Magnitt shows that venture capital (VC) funding in Qatar reached QR43m in 2023, or the equivalent of $11.8m, constituting a decrease of 57% from QR100m ($27.4m) in 2022, and relative to QR74m ($20.3m) in 2021, QR38m ($10.4m) in 2020, and QR23m ($6.3m) in 2019. Further, there were 26 VC deals in 2023, representing a decline of 42.2% from 45 investments in 2022, and relative to 39 deals in 2021, 41 transactions in 2020, and 18 deals in 2019. It noted that venture investments in Qatar posted a compound annual growth rate (CAGR) of 17%, while the number of deals registered a CAGR of 10% in 2023. Also, Qatar accounted for 5.5% of the number of deals in the Middle East and North Africa (MENA) region, behind the UAE (33%), Saudi Arabia (26.2%), Egypt (14.5%), and Morocco (6%). In parallel, VC investments in manufacturing companies amounted to QR15m ($4.1m) and accounted for 35% of aggregate VC investments in Qatar in 2023, followed by deals in fintech firms with QR7m or $1.9m (16.3%), investments in healthcare companies with QR5m or $1.4m (11.6%), and in construction and infrastructure firms, as well as e-commerce and retail companies with QR3m or $0.8m each (7% each). Also, there were four investments in the fintech sector, or 15.4% of the total, followed by two investments in healthcare firms, e-commerce and retail companies, educational technology firms and enterprise software companies each (7.7% each).

Source: Magnitt, Byblos Research

MENA

Level of economic freedom varies across Arab countries in 2024

The Heritage Foundation's Index of Economic Freedom for 2024 ranked the United Arab Emirates in 22nd place globally and in first place in the Arab world. Qatar followed in 28th place, then Bahrain (54th), Oman (56th), and Saudi Arabia (69th) as the five highest ranked Arab economies. In contrast, Egypt (146th), Tunisia (150th), Lebanon (154th), Algeria (164th), and Sudan (173rd) are the Arab countries with the lowest level of economic freedom in the region. The index is a broad indicator of economic freedoms in 176 countries and evaluates individual economies based on 12 equally-weighted broad factors of economic freedom. The region's level of economic freedom stood at 55.8% in 2024 relative to 55.2% in the 2023 survey and to 61.5% in the 2014 survey, and compared to the global average of 58.6% this year. The GCC countries' average score is 64.4% in 2024 relative to 62.6% on the 2023 index, while the average score of non-GCC Arab countries stands at 50.1% this year compared to 50.3% last year. Also, the rankings of 12 Arab countries improved, those of two economies deteriorated and the ranking of one country was unchanged year-on-year; while the scores of 10 Arab countries increased, those of four economies regressed, and the score of one country remained the same from the 2023 index. The survey classified one Arab economy as "mostly free", four countries in the "moderately free" category, five economies as "mostly unfree", and five sovereigns in the "repressed" economies category. In parallel, the level of economic freedom in Arab countries is higher than the level of Sub-Saharan Africa (52.4%) and is lower than the level in Europe (67.2%), the Americas (58%), and the Asia-Pacific region (57.4%).

Source: Heritage Foundation, Byblos Research

Democracy level varies among Arab countries

The Economist Intelligence Unit ranked Tunisia in 82nd place among 167 countries worldwide and in first place among 20 Arab countries on its Democracy Index for 2023. Morocco followed in 93rd place, then Mauritania (108th), Algeria (110th) and Qatar (111th) as the five countries that have the most democratic systems in the region. In parallel, it considered that Yemen (154th), Libya (157th), Sudan (158th), and Syria (163rd) have the least democratic systems among Arab countries. The index measures 60 indicators that are grouped in five categories that are the Electoral Processes & Pluralism, Civil Liberties, the Functioning of Government, Political Participation, and Political Culture. The Arab countries' average score stood at 3.3 points in the 2023 index relative to 3.2 points in the 2022 index, and came lower than the global average score of 5.2, as well as below the average score of all other regions around the world. Further, the rankings of 11 Arab countries improved, those of five economies declined and the rankings of four countries were unchanged; while the scores of two Arab countries improved, eight regressed and 10 were unchanged from the 2022 survey. In parallel, Mauritania, Morocco and Tunisia remained in the "hybrid regime" category in the 2023 index, while the other 17 Arab countries fell in the "authoritarian regime" segment.

Source: Economist Intelligence Unit, Byblos Research

OUTLOOK

MENA

War's expansion to negatively affect wider region

The Institute of International Finance's (IIF) baseline scenario for the conflict in the Middle East considers that the current unrest in the region will remain a short-lived development without major consequences for the outlook on the region's economy. Under this scenario, it forecast the region's real GDP growth rate to decelerate from 2% in 2023 to 1.6% in 2024, and for oil prices to remain at about $80 per barrel (p/b) this year. It considered that geopolitical uncertainties will have an adverse impact on many of the countries in the region, through lower private consumption and investment, declining tourism receipts, higher import costs, and rising risk premia that is increasing borrowing costs. But it expected the negative impact on the six Gulf Cooperation Council (GCC) countries to be limited and estimated the real non-oil GDP growth rates in Saudi Arabia and in the UAE at 4% this year.

In parallel, the IIF's pessimistic scenario for the conflict in the Middle East considers that the unrest will escalate and that attacks on shipments through the Suez Canal and the Strait of Hormuz will intensify. Under this scenario, it projected economic activity in the Middle East to contract by 0.6% in 2024, and for oil prices to jump to $120 p/b. It expected Lebanon's real GDP to contract by 20% in 2024 if Israel expands its attacks on the country, while it projected economic activity in Egypt to grow by 2%, despite lower tourism and trade receipts. It considered that the escalation of the war could affect Iraq, Syria, and Yemen, particularly if Western strikes intensify or begin to target more critical infrastructure. It noted that GCC countries could suffer if the shipments of oil and/or liquefied natural gas are disrupted for a prolonged period of time. It expected the steep declines in the volume of hydrocarbon exports to more than offset gains from higher energy prices, leading to lower growth, wider fiscal deficits, and deteriorating current account balances in oil-exporting economies. It noted that 30% of global oil consumption transits through the Strait of Hormuz, with a large portion of the oil exports from Saudi Arabia, Iraq, Iran, the UAE, Kuwait, and Qatar's liquefied natural gas passing through it. The IIF assigned a 70% probability for its baseline scenario and a 30% possibility for its pessimistic scenario.

Source: Institute of International Finance

EGYPT

UAE financial commitment supports economic outlook

Barclays Capital indicated that the United Arab Emirates will invest $35bn, or 8.6% of Egypt's GDP, in the Ras al-Hikma project on Egypt's north coast. It said that the first disbursement will take place at the beginning of March and will consist of $10bn in cash and $5bn in UAE deposits at the Central Bank of Egypt (CBE) that will be converted into foreign direct investments (FDI), while the second payment entail $14bn in cash and $6bn in UAE deposits converted into investments in the coming two months. It pointed out that the conversion of UAE deposits should automatically reduce Egypt's external debt by 2.7 percentage points to 37.8% of GDP, although this will be partly offset by the upcoming devaluation of the local currency. It added that the conversion of the deposits should almost close the CBE's $11.4bn negative net foreign asset position, as it will reduce its foreign liabilities to their pre-Ukraine war levels. Also, it said that the cash component will significantly shift the banks' net foreign assets gap, which exceeded $16bn last December. It considered that the UAE's renewed support for Egypt reflects a very strong commitment to preserve the country's macroeconomic stability. It said that the Abu Dhabi Developmental Holding Company aims to attract up to $150bn in investments into the 170 million square meters Ras al-Hikma project.

Further, it stressed the need to reach an agreement with the International Monetary Fund (IMF) in order to address Egypt's structural imbalances despite the UAE commitments. It said that the announcement of the Ras el-Hikma project should accelerate the finalization of the first and second reviews of the IMF based on a new program of $10bn to $12bn that would allow Egypt to roll over most of its IMF repayments through October 2026.

Source: Barclays Capital

ETHIOPIA

Outlook contingent on agreement with IMF

BNP Paribas projected Ethiopia's real GDP growth rates at 6.2% in the fiscal year that ends in June 2024 and at 6.4% in FY2024/25, despite ongoing ethno-political conflicts in the country. Also, it expected the inflation rate to decrease from an average of 20.7% in FY2023/24 to 16.5% in FY2024/25, as the National Bank of Ethiopia (NBE) will cap the banks' lending growth at 14% for the current fiscal year and reduce its direct advances to the government. But it considered that it will be difficult for the NBE to stop completely the financing of the government, given the latter's substantial short-term financing needs and the authorities' struggles to increase public revenues. It stressed the importance of narrowing the gap between the official and parallel exchange rates in order to end the restricted access to the dollar and liberalize the foreign exchange regime.

Further, it noted that Ethiopia reached interim agreements on suspending interest payments on its bilateral debt for the 2023 and 2024 fiscal years. As a result, it said that a total of $2.5bn will be rescheduled, with interest payments deferred until 2025 and the disbursement of the principal postponed until 2027. It pointed out that the scope of the restructuring will not include domestic debt and expected the restructuring of external debt to be limited to debt with longer maturities. It indicated that the Eurobond's restructuring will be more difficult, given that the government and private bondholders did not reach an initial agreement at the end of last October, although Ethiopia issued only one Eurobond that represents 11% of the scope of the debt to be restructured. Also, it forecast the public debt level at 31.2% of GDP in FY2023/24 and 28.9% of GDP in FY2024/25. It noted that any further progress on debt restructuring under the G20 Common Framework depends on securing a $3.5bn funding program from the International Monetary Fund (IMF), which would unlock a similar amount from the World Bank.

In addition, it forecast the current account deficit to narrow from 2% of GDP in in FY2023/24 to 1.2% of GDP in FY2024/25. Further, it projected the official foreign currency reserves at $1.3bn or 1.6 months of imports at end-FY2023/24, and at $1.5bn or 1.8 months of imports at end-FY2024/25.

Source: BNP Paribas

ECONOMY & TRADE

SAUDI ARABIA

Insurance premiums to reach $19bn in 2028

Alpen Capital projected gross written insurance premiums in Saudi Arabia to increase from $14.3bn in 2023 to $18.9bn in 2028, and to post a compound annual growth rate (CAGR) of 5.8% during the 2023-28 period driven by the growth of life and non-life insurance premiums. Further, it projected non-life insurance premiums in the Kingdom to expand from $13.8bn in 2023 to $18.3bn in 2028 and to grow at a CAGR of 5.8% during the 2023-28 period due to the post-pandemic economic recovery, the expansion of mandatory medical coverage, the introduction of the Inherent Defects Insurance scheme, and the growth of the health and motor insurance markets. It noted that the increase in the number of insured individuals, and the growing interest in medical checkups and preventive healthcare, will drive the expansion of the health insurance market. Also, it said that the strategic regulatory changes that the authorities imposed, such as the comprehensive motor insurance rules and the standard insurance policy on domestic workers' contracts, along with the ongoing infrastructural developments in line with Vision 2030, are driving the growth of the non-life insurance industry. Further, it forecast life premiums to expand from $0.5bn in 2023 to $0.6bn in 2028 and to increase at a CAGR of 4.1% in the covered period due to rising awareness about insurance products among citizens and a stable population growth. It projected the insurance sector's penetration rate to increase from 1.3% of GDP in 2023 to 1.5% of GDP in 2028 and for insurance density, or premiums per capita, to increase from $435.1 in 2023 to $522 in 2028.

Source: Alpen Capital

EGYPT

Outlook on ratings revised to 'negative' on increased risks to external financing

Capital Intelligence Ratings affirmed Egypt's short- and long-term local and foreign currency ratings at 'B', and revised the outlook on the long-term ratings from 'stable' to 'negative'. It attributed the outlook revision to the increased risks to external financing from a wider current account deficit, and to a significant decline in tourism revenues and Suez Canal receipts due to the war in Gaza Strip and the escalation of tensions in the Red Sea. It estimated the country's gross financing needs at 16.5% of GDP in the fiscal year ending in June 2024 (FY2023/24) and the current account deficit at 3% of GDP in FY2023/24. It said that the ratings are underpinned by foreign currency shortages, diminishing short- to medium-term growth prospects, as well as by the delays in the full liberalization of the exchange rate regime. It added that Egypt's ratings are constrained by considerable weaknesses in public finances, including a high government debt level and very high debt servicing payments. It indicated that it could revise the outlook from 'negative' to 'stable' in the next 12 months if the government manages to reduce its external financing risks, and/or if the authorities implement structural and fiscal reforms. In parallel, it stated that it could downgrade the ratings by more than one notch if external financing risks continue to increase due to higher external financing needs and/or slowing reform implementation, which would jeopardize the future disbursement of financial assistance and undermine investor confidence.

Source: Capital Intelligence Ratings

TÜRKIYE

Insurance sector faces high overall risks

S&P Global Ratings estimated that the overall risk level of the property and casualty (P/C) insurance sector in Türkiye is "high". It indicated that its assessment is derived from an elevated country risk level due to Türkiye's exposure to natural catastrophes, the sector's weak technical performance, and its exposure to foreign exchange risks. It pointed out that the sector's risk level is similar to risks in the insurance sectors of Azerbaijan and Uzbekistan. It indicated that natural catastrophes and unpredictable claims settlements can affect the underwriting for property insurance, given that Türkiye is prone to earthquakes. It indicated that the earthquake that took place on February 6, 2023 caused economic damages of about $103bn, and noted that 5% of this amount would be covered by the Turkish Catastrophe Insurance Pool (TCIP) and the local insurance market. Further, it pointed out that the insurance market has been reporting underwriting losses on the technical side, as the net combined ratio, which is the ratio of incurred losses and expenses to earned premiums, stood at 132% in 2022 and 125% in 2023, and projected it at around 120% in 2024. In parallel, it noted that the industry risk assessment for Türkiye's P/C insurance sector is supported by relatively high operational barriers to entry, healthy profitability due to significant investment income from the high interest rates on bank deposits and government bonds, and opportunities for business growth, as the sector's gross written premium (GWP) increased by 133% in 2022 and 110% in 2023.

Source: S&P Global Ratings

PAKISTAN

Risks to new IMF deal on the rise

Fitch Ratings considered that the political uncertainties that ensued from Pakistan's parliamentary elections may complicate the country's efforts to secure a financing agreement with the International Monetary Fund (IMF) that would succeed the Stand-By Arrangement (SBA) that expires in March 2024. It noted that protracted negotiations or the failure to secure a new deal within a few months would increase external liquidity stress and raise the probability of a sovereign default. It said that, despite the improvement in Pakistan's external position in recent months, its net foreign currency reserves remain low relative to its projected external funding needs, and that these needs will continue to exceed foreign reserves in the next few years. The agency added that a new deal with the IMF is critical to trigger external financing flows and will have a high impact on the country's economic trajectory in the long term. Further, it said that the authorities will face challenges to finalize the IMF deal due to the expected tougher conditions in the new arrangement, to Pakistan's poor track record of completing IMF programs, as well as to continued political instability that could lead to extended discussions, to delaying assistance from partners and to hindering the implementation of reforms. But it noted that a new government can engage quickly with the IMF and can overcome resistance to a new deal, given the severity of the country's economic challenges and the limited financing alternatives. It added that the authorities made progress on targets under the current SBA and that there is a stronger consensus in Pakistan on the need for reforms.

Source: Fitch Ratings

WORLD

Two thirds of CROs view financial risk as top risk for banks in next 12 months

In their 13th annual survey on the risks facing banks, EY and the Institute of International Finance indicated that 66% of surveyed chief risk officers (CROs) view liquidity or funding risks as the most important financial risk that their bank faces in the next 12 months, followed by consumer or retail credit risk (56%), wholesale credit risk (52%), interest rate risk (48%), counterparty credit risk (24%), and trading book market risk (19%). In addition, the survey showed that 73% of CROs view cybersecurity risk as an issue that will require attention in the next 12 months, followed by regulatory and operational resilience risks (36% each), liquidity risks (33%), risk appetite (32%), wholesale credit risks (29%), interest rate risks (28%), environmental risks (26%), retail or consumer credit risks (25%), operational risks and the transition to a digital strategy or processes (18% each), geopolitical risks (16%), business model and the use of machine learning and Artificial Intelligence (14% each), and model risks (13%). In parallel, it revealed that 54% of CROs identified the scale of change and 48% considered the limited budgets as the biggest constraints to accelerating the digital transformation. It noted that 45% of CROs cited detecting fraud as the most significant way their organization is using machine learning and Artificial Intelligence, followed by the automation of operational tasks (43%). EY and the IIF conducted the survey between June and September 2023 and covered 86 banks from 37 countries.

Source: EY, Institute of International Finance

GHANA

Banks' profitability to support capital formation post-sovereign default

Fitch Ratings considered that the elevated profitability of Ghana's banking sector and the exceptionally high yields on domestic Treasury bills are helping the banks' capital to recover from the large losses incurred from the domestic debt exchange program in 2023. It indicated that the sector's profitability will complement the capital-raising initiatives that the Bank of Ghana (BoG) has encouraged, and expected several banks to raise core capital from shareholders and to seek capital support from the Ghana Financial Stability Fund, which consists of $500m from the government and $250m from the World Bank's International Development Association. Further, it said that the restructuring of the external debt, the economic recovery supported by Ghana's International Monetary Fund program, and the monetary policy of the BoG would lead to the decline in Treasury bills yields in 2024. But it expected the yields to remain elevated, which should continue to support the banks' net interest margins, and will help them absorb impairment charges from the default on the Eurobonds and from non-performing loans. Also, it expected Ghana to conclude its external debt restructuring in the first half of 2024 and considered the agreement with official creditors to have an insignificant impact on the banking sector due to the latter's limited exposure to Eurobonds. It added that the macroeconomic risks on asset quality from the sovereign default are limited due to the small size of the banking sector's loan book. But it stated that the banks' exposure to local-currency government bonds is high relative to their capital.

Source: Fitch Ratings

UAE

FATF removes UAE from grey list

The Financial Action Task Force (FATF), the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT), indicated that the United Arab Emirates (UAE) made significant progress in improving its AML/CFT regime following the strategic deficiencies that the FATF identified in February 2022. It noted that the authorities increased the outbound Mutual Legal Agreement requests to facilitate the investigations of money laundering and terrorist financing (ML/TF). It said that the authorities applied effective and proportionate sanctions for AML/CFT non-compliance involving financial institutions and Designated Non-Financial Businesses and Professions, and increased the filing of Suspicious Transaction Report for these sectors. Further, it noted that the authorities developed a better understanding of the risk of abuse of legal persons and implemented related risk-based mitigating measures. It pointed out that the authorities provided additional resources to the Financial Intelligence Unit to increase its capacity to provide financial intelligence to law enforcement agencies and made greater use of financial intelligence, including from foreign counterparts, to pursue high-risk ML threats, as well as increased investigations and the prosecution of ML. Also, the FATF considered that the authorities imposed targeted financial sanctions on non-compliant reporting entities, and demonstrated a better understanding of the evasion of UN sanctions in the private sector. It concluded that the UAE is no longer subject to the FATF's increased monitoring process, and added that the authorities should continue to work with the regional body MENAFATF to sustain the country's improvements in its AML/CFT system

Source: Financial Action Task Force

NIGERIA

Banks resilient amid macroeconomic pressures

S&P Global Ratings considered that the Nigerian banking sector's positive external asset position and strong earnings would mitigate the negative impact of macroeconomic pressures on the banks' capital adequacy ratios. It forecast loans to grow by an annual average of 14% in the 2024-25 period, supported by the increased production capacity of oil and gas refineries. However, it stated that the banks' credit leverage remains weak, as their financial intermediation capacity is hindered by low per capita income and a large informal economy. It added that the sector's external refinancing risks are manageable, and it anticipated the banking sector's external assets position to stabilize at about 3% of domestic loans through 2025. But it said that the sector is vulnerable to foreign currency liquidity shortages due to negative real interest rates, US dollar shortages, a backlog of foreign-currency transactions, and perceived risks to the sector due to the grey-listing of Nigeria by the Financial Action Task Force. In parallel, it expected the sector's credit losses to decrease from 3.5% in 2023 to 2% in 2024, and for the non-performing loans ratio to remain below 5% in the 2023-25 period. Also, it stated that the banking system is underpinned by its stability, resilience, and profitability despite a challenging operating environment and infrastructure gaps, given that the top-tier banks account for 70% of the sector's assets and have a risk-adjusted return on equity of 20%.

Source: S&P Global Ratings

ENERGY / COMMODITIES

Oil prices to average $80 p/b in 2024

ICE Brent crude oil prices averaged $81.6 per barrel (p/b) in February 2024, constituting an increase of 3.2% from $79 p/b in January2024, mainly due to the uncertainties about the prospects for a ceasefire in the Gaza Strip, as well as to the expectations that the OPEC+ coalition will extend its oil production cuts beyond the first quarter of 2024. In parallel, Qatar National Bank (QNB) projected global oil consumption to increase in 2024, driven by higher demand from the U.S., China, and Emerging Asia; and forecast the global supply of oil to decrease this year, as it anticipated the production cuts from OPEC+ members to reduce the level of oil inventories. As such, it expected oil prices to stabilize at $80 p/b in the next few quarters, even with significant geopolitical developments and the anticipation that physical markets will tighten on the back of decelerating supply growth and still robust global demand. In parallel, Goldman Sachs projected global oil demand to increase by 1.5 million barrels per day (b/d) and for oil supply from non-OPEC producers, mainly Canada and Guyana, to rise by 1.3 million b/d in 2024. Also, it expected the OPEC+ coalition to extend cuts through the second quarter of 2024, and to only gradually and partially phase out the cuts starting in the third quarter of the year. Also, it anticipated the redirection of 3 million b/d of oil flows away from the Red Sea to increase Brent oil prices by $2 p/b due to higher demand for maritime fuel. It expected oil prices to average between $70 p/b and $90 p/b in 2024.

Source: QNB, Goldman Sachs, Refinitiv, Byblos Research

OPEC oil output up 1% in January 2024

Member countries of the Organization of the Petroleum Exporting Countries (OPEC), based on secondary sources, produced an average of 26.34 million barrels of oil per day (b/d) in January 2024, constituting a decrease of 1.3% from 26.7 million b/d in December 2023. On a country basis, Saudi Arabia produced 8.97 million b/d, or 34% of OPEC's total output, followed by Iraq with 4.19 million b/d (15.9%), Iran with 3.16 million b/d (12%), the UAE with 2.93 million b/d (11.1%), and Kuwait with 2.43 million b/d (9.2%).

Source: OPEC

Global steel output up 9% in January 2024

Global steel production reached 148.1 million tons in January 2024, constituting increases of 9.1% from 135.7 million tons in December 2023 and of 1.9% from 145.3 million tons in January 2023. Production in China totaled 77.2 million tons and accounted for 52.1% of global steel output in January 2024, followed by production in India with 12.5 million tons (8.4% of the total), Japan with 7.3 million tons (5%), the U.S. with 6.8 million tons (4.6%), Russia with 6.2 million tons (4.2%), and South Korea with 5.7 million tons (3.8%).

Source: World Steel Association, Byblos Research

Middle East demand for gold up 1.5% in 2023

Consumer demand for gold in the Middle East, which includes demand for jewelry and for bars and coins, totaled 285.3 tons in 2023, constituting an increase of 1.5% from 281.1 tons in 2022. Gold demand in the region accounted for 9.3% of the global consumption of the precious metal in 2023. Consumer demand for gold in Iran reached 71.8 tons and represented 25.2% of the region's aggregate demand in the covered period, followed by Egypt with 57 tons (20%), Saudi Arabia with 52.3 tons (18.3%), the UAE with 51 tons (18%), and Kuwait with 19.6 tons (7%).

Source: World Gold Council, Byblos Research

Base Metals: Nickel prices to average $18,000 per ton in first quarter of 2024

The LME cash price of nickel averaged $16,186.2 per ton in the year-to-date February 28, 2024 period, constituting a decrease of 41.2% from an average of $27,536.5 a ton in the same period of 2023, due to global macroeconomic concerns, financial market turbulence, monetary tightening, and an oversupply of the metal by Indonesian and Chinese producers. Also, nickel prices reached $17,271.5 per ton on February 23, 2024, its highest level of the year so far, due to China and Indonesia set to reduce nickel output to mitigate the excess supply of nickel and the downward pressure on the metal's price. In parallel, Citi Research anticipated the global supply of nickel at 3.55 million tons in 2024, which would constitute an increase of 4.2% from 3.41 million tons in 2023. Also, it forecast the global demand for nickel at 3.44 million tons in 2024, which would represent a rise of 8.5% from 3.17 million tons in 2023. It anticipated the global demand of nickel to outpace supply in 2024, and for the surplus in the market to decrease from 238,000 tons in 2023 to 112,000 tons in 2024, amid anticipated production cuts by major nickel mines in Indonesia and China, as well as a strong and recovering stainless steel sector that supports the demand growth in the battery sector, which also increases demand for nickel. Further, it projected nickel prices to average $18,000 per ton in the first quarter of 2024, with a high of $20,000 a ton and a low of $14,000 per ton.

Source: Citi Research, Refinitiv, Byblos Research

Precious Metals: Gold prices to average $2,001 per ounce in first quarter of 2024

Gold prices averaged $2,029.1 per troy ounce in the year-to-date February 28, 2024 period, constituting an increase of 8.2% from an average of $1,875.7 an ounce in the same period of 2023, mainly due to the eruption of the war in the Gaza Strip that exacerbated geopolitical tensions, which reinforced the appeal of the metal as a safe haven for investors, as well as to expectations of the U.S. Federal Reserve implementing interest rate cuts, which would result in a weaker U.S. dollar and increase demand for gold. Further, prices reached $1,994.8 per ounce on February 13, 2024, dipping below $2,000 an ounce for the first time in 2024 amid newly released U.S. inflation data that exceeded expectations. Prices then surpassed $2,000 an ounce on February 15, 2024 after additional U.S. economic data showed slow retail sales, which weakened Treasury yields and the U.S. Dollar Index. In parallel, the World Gold Council indicated that January 2024 marked the eighth consecutive month of net outflows from physically-backed gold exchange traded funds (ETFs). It noted that outflows from gold-backed ETFs reached 36.2 tons in North America in January 2024, followed by outflows of 17.5 tons in Europe, which has offset inflows into gold-backed ETFs of 3.1 tons in Asia. As such, it pointed out that the global net outflows from gold ETFs totaled 51 tons in January of this year. It indicated that the holdings of global gold-backed ETFs dipped from 3,225.6 tons in December 2023 to 3,174.6 tons in January, which has also supported the recent rise in the metal's price. Further, S&P Global Market Intelligence projected gold prices to average $2,001 per ounce in the first quarter of 2024, with a low of $1,900 an ounce and a high of $2,060 per ounce in the covered quarter.

Source: World Gold Council, S&P Global Market Intelligence, Refinitiv, Byblos Research

COUNTRY RISK METRICS

Countries	S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Africa												
Algeria	- -	- -	- -	- -	-6.5	-	-	-	-	-	-10.8	1.1
Angola	B- Stable	B3 Positive	B- Stable	- -	-1	111.2	7.8	62.6	40.4	101.0	-4.0	1.5
Egypt	B- Stable	Caa1 Negative	B- Stable	B Negative	-8.0	90.2	5.6	68.6	50.1	121.1	-3.5	1.9
Ethiopia	SD -	Caa3 Stable	C -	-	-3.4	34.3	2.0	60.4	5.0	169.5	-6.5	2.6
Ghana	SD -	Ca Stable	RD -	- -	-7.5	71.7	2.6	42.3	53.2	121.4	-3.1	3.8
Côte d'Ivoire	- -	Ba3 Positive	BB- Stable	- -	-4.1	43.2			14.3		-3.5	1.4
Libya	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Dem Rep Congo	B- Stable	B3 Stable	- -	- -	-0.8	13.17	0.49	7.88	2.16	116.35	-4.3	3
Morocco	BB+ Stable	Ba1 Stable	BB+ Stable	- -	-5.0	68.2	5.3	35.1	8.6	99.0	-5.3	1.5
Nigeria	B- Stable	Caa1 Stable	B- Stable	- -	-4.5	46.0	4.1	56.7	27.7	119.9	-1.7	0.2
Sudan	- -	- -	- -	- -	-	-	-	-	-	-	-	-
Tunisia	- -	Caa2 Negative	CCC- -	- -	-4.7	81.0	4.2	-	11.9	-	-8.3	0.5
Burkina Faso	B Stable	- -	- -	- -	-5.4	51.3	0.4	22.3	7.1	134.0	-5.5	1.5
Rwanda	B+ Negative	B2 Negative	B+ Stable	- -	-9.0	71.4	4.1	24.2	8.0	112.6	-10.7	2.0
Middle East												
Bahrain	B+ Positive	B2 Negative	B+ Stable	B+ Stable	-6.8	115.4	-1.2	198.8	26.7	345.2	-6.6	2.2
Iran	- -	- -	- -	B Stable	-3.7	-	-	-	-	-	-2.0	1.2
Iraq	B- Stable	Caa1 Stable	B- Stable	- -	-8.0	78.1	-4.4	6.0	6.6	185.9	-2.4	-1.0
Jordan	B+ Stable	B1 Positive	BB- Stable	B+ Positive	-3.0	93.9	1.0	86.0	11.9	182.9	-6.4	2.2
Kuwait	A+ Stable	A1 Stable	AA- Stable	A+ Stable	5.7	20.2	1.7	77.9	0.6	157.3	-0.8	0.0
Lebanon	SD -	C -	C -	- -	-10.0	190.7	2.3	168.0	68.5	236.7	-11.2	2.0
Oman	BB+ Stable	Ba1 Stable	BB+ Stable	BB Positive	-11.3	84.3	1.4	47.1	12.4	146.6	-10.9	2.7
Qatar	AA Stable	Aa3 Positive	AA- Positive	AA Stable	5.3	63.3	2.9	179.1	7.2	225.3	-1.2	-1.5
Saudi Arabia	A Stable	A1 Positive	A+ Stable	A+ Positive	-6.2	38.2	16.3	18.4	3.6	50.4	-0.6	-1.0
Syria	- -	- -	- -	- -	-	-	-	-	-	-	-	-
UAE	- -	Aa2 Stable	AA- Stable	AA- Stable	-1.6	40.5	-	-	2.5	-	3.1	-0.9
Yemen	- -	- -	- -	- -	-	-	-	-	-	-	-	-

COUNTRY RISK METRICS

Countries	LT Foreign currency rating: S&P	Moody's	Fitch	CI	General gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	Usable Reserves / CAPs* (months)	Short-Term External Debt by Rem. Mat./ CARs	Gvt. Interest Exp./ Rev. (%)	Gross Ext. Fin. needs / (CAR + Use. Res.) (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
Asia												
Armenia	BB- Stable	Ba3 Stable	BB- Stable	B+ Positive	-4.9	65.5	-	-	11.3	-	-6.7	1.6
China	A+ Stable	A1 Stable	A+ Stable	- -	-3.0	72.6	12.1	40.6	2.5	68.7	1.7	0.4
India	BBB- Stable	Baa3 Negative	BBB- Negative	- -	-10.0	89.6	9.5	41.7	31.6	79.5	-0.6	1.5
Kazakhstan	BBB- Stable	Baa3 Positive	BBB Stable	- -	-1.7	32.0	5.1	30.8	7.3	95.6	-3.2	3.0
Pakistan	CCC+ Stable	Caa3 Stable	CCC -	- -	-8.0	89.4	1.9	41.5	45.9	127.7	-1.6	0.6
Central & Eastern Europe												
Bulgaria	BBB Stable	Baa1 Stable	BBB Stable	- -	-5.0	30.4	2.7	28.3	1.9	104.2	0.4	1.0
Romania	BBB- Negative	Baa3 Negative	BBB- Negative	- -	-7.2	52.4	3.5	25.5	4.5	102.9	-5.1	2.0
Russia	C CWN**	Ca Negative	C -	- -	-2.2	23.4	11.4	18.6	2.9	59.3	1.9	-0.8
Türkiye	B Positive	B3 Positive	B Stable	B+ Stable	-4.0	38.5	-0.9	74.0	9.9	205.7	-4.2	1.0
Ukraine	B- CWN	B3 RfD***	CCC -	- -	-5.3	67.3	4.5	56.5	7.9	115.7	-2.1	2.5

** Current account payments*
*** CreditWatch with negative implications*
**** Review for Downgrade*
Source: S&P Global Ratings, Fitch Ratings, Moody's Investors Service, CI Ratings, Byblos Research - The above figures are projections for 2020

SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	5.50	31-Jan-24	No change	20-Mar-24
Eurozone	Refi Rate	4.50	25-Jan-24	No change	7-Mar-24
UK	Bank Rate	5.25	01-Feb-24	No change	21-Mar-24
Japan	O/N Call Rate	-0.10	23-Jan-24	No change	19-Mar-24
Australia	Cash Rate	4.35	06-Feb-24	No change	19-Mar-24
New Zealand	Cash Rate	5.50	28-Feb-24	No change	10-Apr-24
Switzerland	SNB Policy Rate	1.75	14-Dec-23	No change	21-Mar-24
Canada	Overnight rate	5.00	24-Jan-24	No change	6-Mar-24
Emerging Markets					
China	One-year Loan Prime Rate	3.45	20-Feb-24	No change	20-Mar-24
Hong Kong	Base Rate	5.75	14-Dec-23	No change	N/A
Taiwan	Discount Rate	1.875	14-Dec-23	No change	21-Mar-24
South Korea	Base Rate	3.50	22-Feb-24	No change	12-Apr-24
Malaysia	O/N Policy Rate	3.00	24-Jan-24	No change	07-Mar-24
Thailand	1D Repo	2.50	07-Feb-24	No change	10-Apr-24
India	Repo Rate	6.50	08-Feb-24	No change	05-Apr-24
UAE	Base Rate	5.40	13-Dec-23	No change	N/A
Saudi Arabia	Repo Rate	6.00	13-Dec-23	No change	N/A
Egypt	Overnight Deposit	21.25	01-Feb-24	Raised 200bps	28-Mar-24
Jordan	CBJ Main Rate	7.50	30-Jul-23	Raised 25bps	N/A
Türkiye	Repo Rate	45.00	22-Feb-23	No change	21-Mar-24
South Africa	Repo Rate	8.25	25-Jan-24	No change	27-Mar-24
Kenya	Central Bank Rate	13.00	06-Feb-24	Raised 50bps	N/A
Nigeria	Monetary Policy Rate	22.75	27-Feb-24	Raised 400bps	26-Mar-24
Ghana	Prime Rate	29.00	29-Jan-24	Cut 100bps	25-Mar-24
Angola	Base Rate	18.00	19-Jan-24	Raised 100bps	15-Mar-24
Mexico	Target Rate	11.25	8-Feb-24	No change	21-Mar-24
Brazil	Selic Rate	11.25	31-Jan-24	Cut 50bps	N/A
Armenia	Refi Rate	8.75	30-Jan-24	Cut 50bps	12-Mar-24
Romania	Policy Rate	7.00	13-Feb-24	No change	N/A
Bulgaria	Base Interest	3.79	1-Feb-24	Cut 1bps	1-Mar-24
Kazakhstan	Repo Rate	14.75	23-Feb-24	Cut 50bps	12-Apr-24
Ukraine	Discount Rate	15.00	25-Jan-24	No change	14-Mar-24
Russia	Refi Rate	16.00	16-Feb-24	No change	22-Mar-24

Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (+961) 1 338 100
Fax: (+961) 1 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

BYBLOS BANK GROUP

LEBANON
Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

IRAQ
Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Sulaymaniyah Branch, Kurdistan, Iraq
Salem street, Kurdistan Mall - Sulaymaniyah
Phone: (+ 964) 773 042 1010 / (+ 964) 773 041 1010

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

ARMENIA
Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362 Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

BELGIUM
Byblos Bank Europe S.A.
Brussels Head Office
Boulevard Bischoffsheim 1-8
1000 Brussels
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM
Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE
Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

NIGERIA
Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

ADIR INSURANCE
Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293